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OIFP Targets Fraud Rings

*Vehicles recovered by OIFP
State Investigators in undercover
sting "Operation Give and Go."*





OIFP Targets Fraud Rings

OIFP Criminal Prosecutions at All-Time High

by Michael A. Monahan

It came in to the Newark Police dispatcher as a frantic 911 call. The caller said he had just been the victim of a carjacking at the intersection of William and Halsey Streets by a man armed with a gun. Units from the Newark Police Department were immediately dispatched to the scene, given the very serious nature of the call. When the police arrived at the scene moments later, the victim excitedly described in detail the armed and dangerous carjacker, how he stuck the gun in the victim's face, how he took his car.

A witness also volunteered that he had seen the whole thing, confirming the car owner's story. Despite a diligent search, the Newark police could not find the owner's car or the carjacker. Later, the owner, a computer programmer for a major corporation, filed a theft claim with his insurance carrier for the total theft loss and the carrier paid over \$16,000 on the claim.

Only, there was no carjacking, and

the owner was no victim at all. He was a thief, who faked the entire carjacking scenario with a friend in order to file a fraudulent insurance claim. How did the authorities know? Because the car had been in the possession of State Investigators from the Office of the Insurance Fraud Prosecutor (OIFP) for six full days at the time the owner reported the carjacking, having been purchased from a street-level middleman during *Operation Give and Go*, a pro-active undercover initiative by OIFP to confront the growing problem of owner "give-ups" and stolen automobiles in northern New Jersey.

To conduct the investigation, undercover OIFP investigators gained access to middlemen who traffic in owner "give-ups," where the owner literally "gives-up" the vehicle to someone else with the understanding the vehicle will "disappear," allowing the owner to file a false theft claim and fraudulently collect insurance benefits for the alleged



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*State Investigators
Marc Cofone
and Jose Vendas
examine a
seized vehicle.*



What Is Being Done About Insurance Fraud?

The New Jersey Office of the Insurance Fraud Prosecutor (OIFP) leads New Jersey's fight against insurance fraud. Created by the New Jersey Legislature on May 19, 1998, pursuant to the provisions of the Automobile Insurance Cost Reduction Act (AICRA), OIFP was established as a law enforcement agency within the Division of Criminal Justice in the Department of Law and Public Safety to administer a comprehensive and well integrated program to investigate and prosecute insurance fraud as effectively and efficiently as possible. Accordingly, OIFP was vested under AICRA with authority and responsibility for investigating all types of insurance fraud and for conducting and coordinating criminal, civil and administrative investigations and prosecutions of insurance and Medicaid fraud throughout New Jersey. To provide for the most effective and well integrated statewide strategy possible to combat insurance fraud, OIFP's authority under AICRA includes responsibility for the oversight of all anti-insurance fraud efforts of law enforcement and other public agencies and departments in New Jersey, as well as appropriate coordination with private industry. Where fraud has occurred, OIFP pursues criminal prosecutions and civil sanctions, including prison sentences, monetary penalties and, in the case of professionals, permanent license revocations. In addition to traditional law enforcement functions, OIFP offers a comprehensive roster of programs to inform the public, train law enforcement officers and marshal resources of the public and private sectors to eradicate fraud.

loss. To lend an air of legitimacy to the operation, OIFP rented a garage in Jersey City, completely outfitted with tools and auto parts, where the middlemen could bring the cars to the undercover OIFP investigators. Unbeknownst to would-be insurance cheats, however, the garage was also fully equipped with concealed audio and video recorders to memorialize all activity at the shop. As a result of this initiative, OIFP State Investigators conducting *Operation Give and Go* recovered 46 automobiles and SUVs, with a total value of approximately \$1 million, and 28 middlemen and “give-up” owners, including the owner and friend who faked the carjacking, were indicted for their roles in the conspiracy and thefts.

Operation Give and Go is but one example of many exciting and successful investigations conducted by OIFP-Criminal in 2003. Whether cracking a staged motor vehicle theft or accident or arson-for-hire ring, or exposing an unscrupulous health care provider billing an insurance carrier for services never rendered, or arresting a dishonest insurance broker stealing premium monies, the successes of the investigations in OIFP-Criminal were many and varied. In *State v. Iris Salkauski*, for instance, 49 defendants were indicted for staging car accidents in Camden County and filing fraudulent Personal Injury Protection (PIP) claims totaling \$567,940 for fictitious injuries. Undercover law enforcement officers ultimately infiltrated the ring by posing as participants in one of the staged accidents.

The leader of that staged accident ring, Iris Salkauski, attempted to thwart law enforcement's efforts to bring her to justice by fleeing New Jersey after she was indicted. As a result, Salkauski was placed on New Jersey's Ten Most Wanted List and was tracked down to a house in Florida where officers found her cowering in a bedroom

What Is Auto Insurance Fraud?

Auto insurance fraud occurs when a person deceives an insurance provider to collect money to which he is not entitled or to avoid paying the appropriate amount of premiums. Providing false or misleading information in support of a claim, on an insurance application, or in an application for an endorsement or policy renewal constitutes an act of insurance fraud. Submitting any type of false or altered receipts, bills, repair estimates or any inaccurate documents to support a loss, expense or injury is insurance fraud. Buying or selling a fake automobile insurance identification insurance card is another form of insurance fraud.

The most common kinds of auto insurance fraud in New Jersey include:

- Fake or exaggerated injury claims
- Phony auto theft claims
- Staged accidents
- False billing by medical providers
- Lying on an application for insurance
- Using a fake automobile insurance identification card

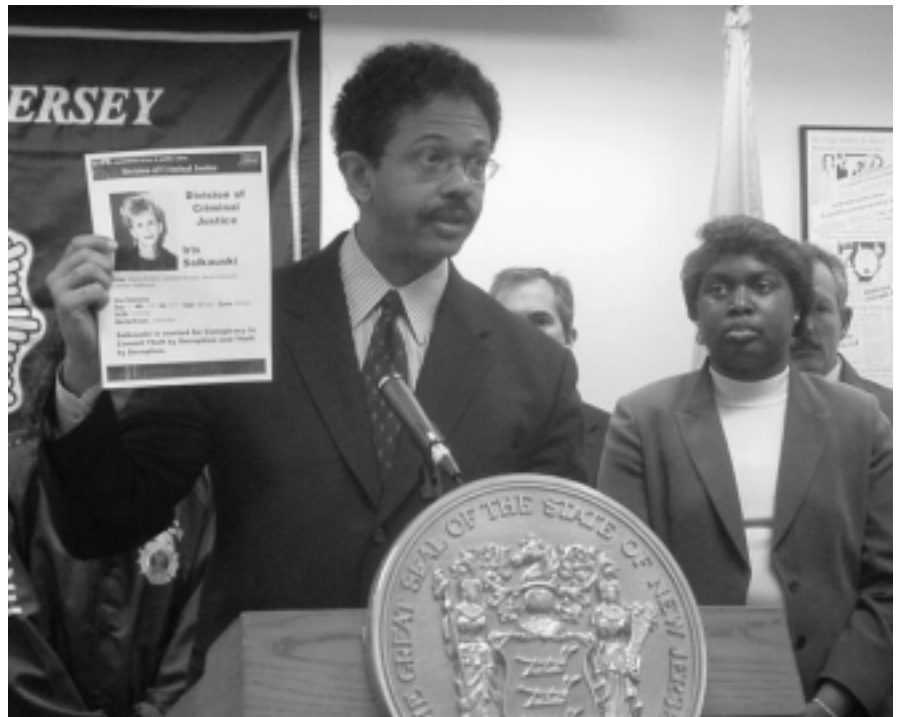
In New Jersey insurance fraud is a serious crime punishable by significant criminal and civil penalties including jail time.

Here is What You Can Do

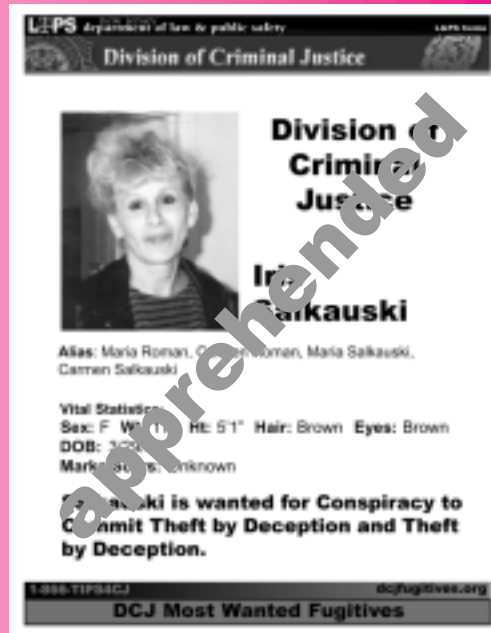
Be aware. If a car suddenly pulls in front of you, forcing you to follow too closely, someone may be setting you up for a staged accident. If you are involved in an accident, call the police. Record the license plate, driver's license number, insurance information and identities of all involved, including passengers and witnesses. Beware of unsolicited offers from one or more strangers who may contact you after an accident recommending a medical provider or an attorney. This unsolicited help could be the work of a fraud ring. If you think you are a victim of fraud, immediately contact your insurance company and the New Jersey Office of the Insurance Fraud Prosecutor.



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Attorney General Peter C. Harvey announces that Iris Salkauski, indicted leader of a “staged accident” insurance fraud ring, is one of the Division of Criminal Justice’s “Most Wanted” fugitives. The “Apprehended” designation in the Salkauski “Wanted Poster” tells the rest of the story. Within weeks of her indictment, Salkauski was apprehended, hiding in a closet inside a Florida residence. Salkauski’s arrest was secured through the efforts of the New Jersey/New York Fugitive Task Force, an unprecedented law enforcement initiative, spearheaded by the New Jersey Division of Criminal Justice, which combines the resources, intelligence gathering capabilities, investigative information and expertise of 50 law enforcement agencies and more than 150 federal, state, county and local law enforcement officers.



closet. Upon her return to New Jersey, this time with an OIFP-Criminal escort, she pled guilty and was sentenced on November 14, 2003, to five years in State prison for her crimes. Most of the other defendants in the case have also pled guilty and have been sentenced to terms of imprisonment or probation.

OIFP-Criminal investigations also targeted arson-for-hire rings in 2003 with great success. By way of example, in *State v. Rossi*, OIFP investigators cracked an arson-for-hire ring in Mercer County responsible for at least six arson fires which were set in residences or businesses for the purpose of collecting insurance money. Marc Rossi, the ringleader and owner of an insurance claims adjusting service, pled guilty to conspiracy to commit arson, theft by deception and other charges. In pleading guilty, Rossi admitted to either planning or participating in setting the fires which resulted in various insurance carriers paying out over \$530,000 in property damage claims. Under the terms of his plea agreement, Rossi faces ten years in prison and must make full restitution to the insurance carriers for his role in the scheme. All of the other participants in the arson-for-hire conspiracy have also pled guilty, including three who were sentenced to State prison and three more who were sentenced to probation.

In 2003, OIFP-Criminal investigations also targeted dishonest health care providers. In *State v. Tsilionis*, for example, OIFP-Criminal indicted George and Lisa Tsilionis, husband and wife chiropractors, charging them with conspiracy, health care claims fraud and money laundering for orchestrating an alleged insurance fraud scheme which billed dozens of insurance carriers more than \$1.2 million for phony chiropractic "treatments" or other services that were never provided. To perpetrate the fraud, OIFP-Criminal alleged that, over a three year

What Is Health Insurance Fraud?

Health insurance fraud occurs when a person deceives a health coverage provider in order to collect money to which he is not entitled, to avoid paying the appropriate amount of premiums or to obtain coverage for which he is not eligible. Providing false or misleading information about being an employee or a member of a union or other group to pay lower premiums, concealing a pre-existing medical condition at the time of application or submitting any type of false medical bill, receipt, diagnosis, treatment or service to a health insurance provider is health insurance fraud.

The most common kinds of health insurance fraud in New Jersey include:

Provider Fraud

- Billing for services not provided
- Billing for more expensive services than were provided (known as "Upcoding")
- Billing for separate procedures which must be billed collectively (known as "Unbundling")
- Providing treatments or services which were not medically necessary
- Billing an insurer for services which the patient believes are free or complimentary
- Billing for services rendered beyond the scope of a provider's license

Patient Fraud

- Submitting claims for services or treatments not provided
- Submitting altered or forged receipts for reimbursement
- Having a medical provider misrepresent diagnosis or treatment to pay for something which is not covered
- Lying about residency to obtain or to keep New Jersey health insurance

Business Fraud

- Creating a fake group or organization to obtain less expensive group coverage
- Adding family members or other individuals who are not employees or members of a group to a group policy

What Does It Cost?

Health Insurance Fraud costs Americans \$54* billion a year and accounts for up to 10% of the annual expenditure on health care in the U.S. Studies also show that for every 1% rise in insurance premiums approximately 400,000* more people nationwide will not be able to afford health insurance.

* National Health Care Anti-Fraud Association

Here's What You Can Do

Always review the Explanations of Benefits you receive from your health coverage carrier. The EOB reflects bills submitted by your medical provider for services and treatments which you have received and states what was paid to the provider. Always verify that the charges accurately reflect the correct treatments, services, dates and medical equipment provided. If something doesn't seem right or you have any questions, call your health coverage provider.



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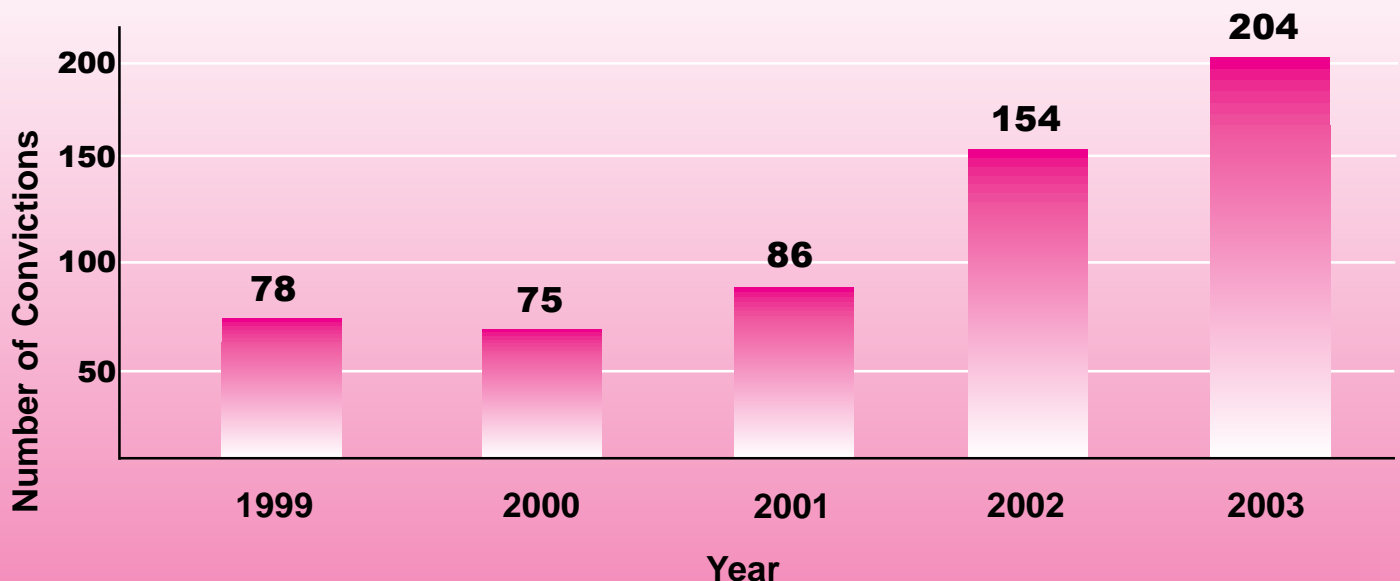
period, the chiropractors regularly submitted insurance claims supported by falsified chiropractic treatment records and diagnostic testing results, resulting in the carriers paying over \$430,000 for non-existent treatments and services. The case is pending trial.

Dishonest insurance brokers also kept OIFP-Criminal busy in 2003. In *State v. Robert Massa*, the defendant, an insurance agent, was sentenced to a five year jail term for his role in a complex scheme to fraudulently obtain insurance premium finance monies in excess of \$5 million from various finance companies. In *State v. Douglas Ross*, the defendant stole over \$140,000 of his clients' insurance premiums. Ross pled guilty and was sentenced to probation but also served 396 days in jail for his crimes. In *State v. Odell Coleman*, the defendant was sentenced to four years in State prison for stealing more than \$100,000 in in-

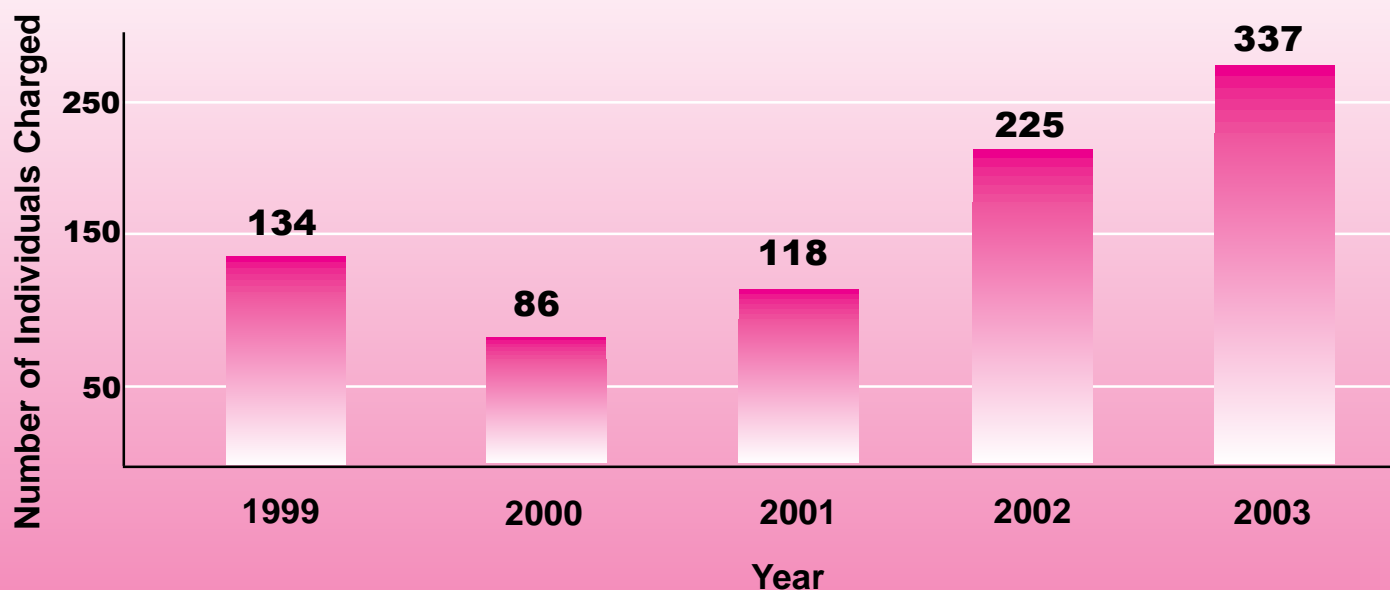
surance premium money from an elderly client. In *State v. Robinson Barleycorn*, the defendant pled guilty to the theft of more than \$300,000 in insurance premiums from his client, a tugboat company. Barleycorn was sentenced to probation but also served ten months in jail for the theft. In *State v. Harry DelBosco*, the defendant pled guilty to the theft of \$887,000 of his clients' insurance premiums and was sentenced to five years in State prison.

All in all, the types of cases investigated by OIFP-Criminal are limited only by the imaginations of the criminals involved. The case of *State v. Daouda Traore* is another good example of the lengths to which a thief will go to steal insurance proceeds. In that case, the defendant filed claims for death benefits of more than \$400,000 under several life insurance policies claiming the deaths of his wife and son in a car accident in Africa. To support his claim,

Criminal Convictions



Individuals Charged Criminally By Indictment or Accusation



Traore submitted hospital records, death certificates and police reports. However, an investigation revealed the documents were fictitious, and so, too, were his wife and son. When confronted, Traore admitted he created his "wife" and "son" out of whole cloth for the sole purpose of fraudulently obtaining life insurance benefits. Following an investigation by OIFP-Criminal, Traore pled guilty to theft by deception and was sentenced to a term of probation.

These are but a few of the hundreds of successful insurance cases brought by OIFP against insurance cheats in 2003. These and many other cases brought by OIFP in 2003 are discussed at greater length in the Insurance Fraud Case Highlights Section of this Report.

Overall, 2003 was an unequivocal success for OIFP-Criminal, with increases over previous years across the board, from the number of indictments returned, to the number of defendants

charged and convicted, to the amount of restitution recovered for the victims of insurance fraud and related crimes. This trend is expected to continue, leading to similarly stellar results, based on the tireless efforts of OIFP-Criminal investigators and attorneys, and the oftentimes seemingly endless parade of greedy and corrupt defendants which OIFP doggedly pursues.

Michael A. Monahan is a Deputy Attorney General in the Office of the Insurance Fraud Prosecutor where he has served as the Assistant Section Chief of the Auto Fraud Section since 1999. He previously served as an Assistant Prosecutor with the Union County Prosecutor's Office for seven years.